



**Hawaiian Telcom, Inc.**  
**Petition for Waiver of the Universal Service Rules**  
**Governing High-Cost Model Support**  
**WC Docket No. 08-4**

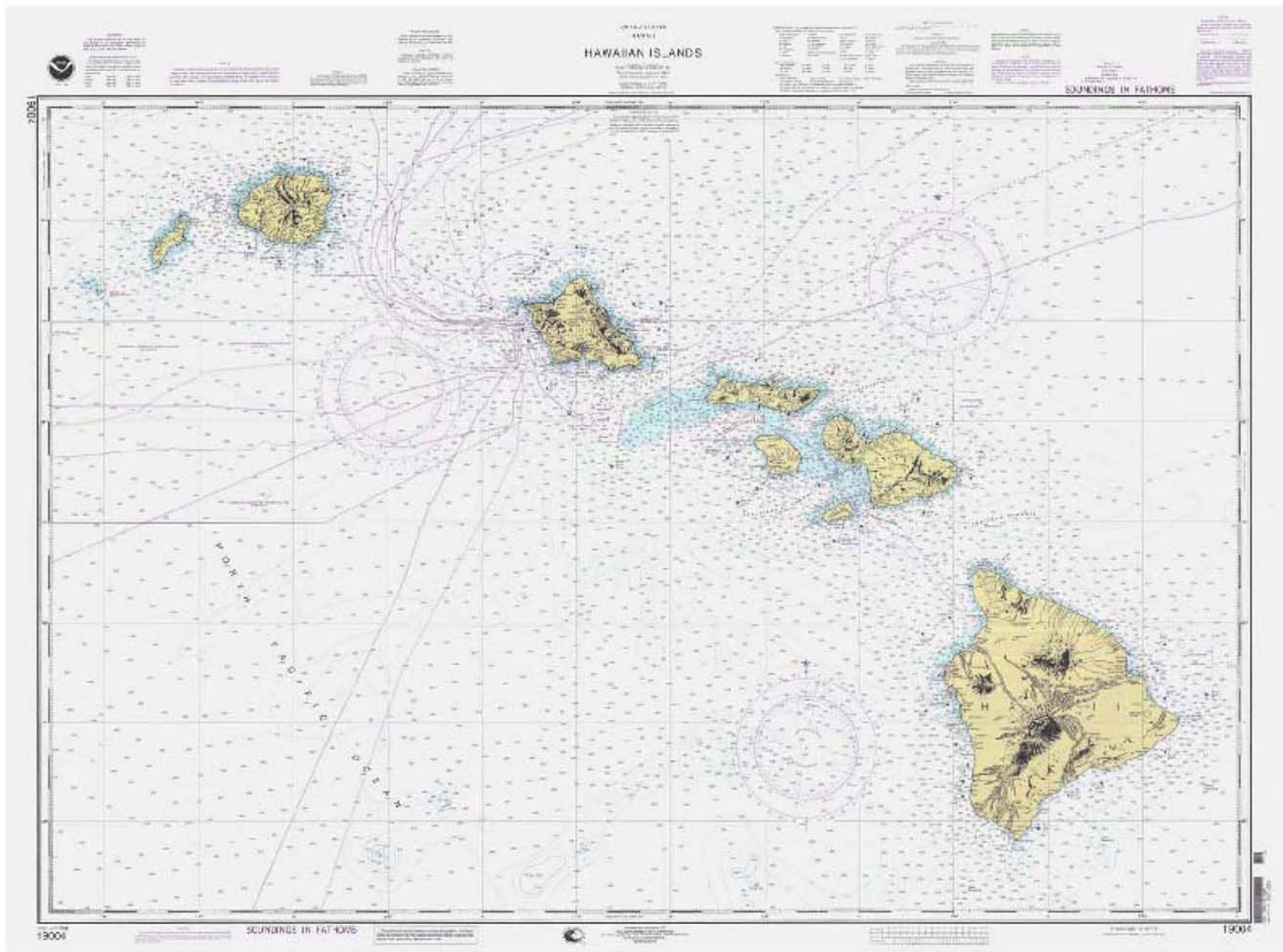
**November 18-19, 2008**

# Overview

- Hawaiian Telcom (“HT”) faces a unique combination of challenges in providing advanced telecommunications and information capability to high-cost areas
- Hawaii is deemed a single, statewide study area and is classified as non-rural due to a single city, Honolulu
- Today, HT receives *no* support from the Commission’s mechanism for non-rural carriers serving high-cost areas
- HT requests that the Commission compute high-cost universal service support on a *wire center specific* basis, rather than a statewide basis, for 5 years

# Benefits of the Requested Waiver

- Granting the requested waiver would provide approximately \$6 million annually to HT for the next five years
- Support would be targeted to the most remote wire centers in the state, chiefly on the islands of Hawaii and Molokai
- The support would be used to improve the quality and reliability of basic telecommunications services, and enable HT to expand its deployment of advanced telecommunications and information capability, making broadband affordable in rural portions of the state



# Special Circumstances

- Unique Natural Circumstances
  - Hawaii is the most remote populated land mass on Earth, making transport to the other states (and Internet access points) uniquely costly
  - It is the only state composed entirely of islands, and is internally cleaved by deep ocean channels, requiring special ocean-going cable-laying vessels to install transport among the islands, and between Hawaii and other states
  - It was formed entirely through volcanic activity – Hard, dense rock, ongoing eruptions and seismic activity create difficult service challenges
  - It is uniquely vulnerable to tsunamis and hurricanes
  - Climate, altitude, and terrain change abruptly and vary widely, and many areas are accessible only by boat or helicopter
  - Salt spray requires HT to use expensive, stainless steel facilities

# Special Circumstances

- Unique Strategic Location
  - Hawaii is vital to U.S. strategic interests and national defense
  - It is the headquarters of the U.S. Pacific Command, charged with maintaining stability and security over 50 percent of the earth, including compliance with five of the seven U.S. mutual defense treaties
  - Isolated from the U.S. mainland, Hawaii is uniquely vulnerable to attack

# Special Circumstances

- Unique Population Characteristics

- Oahu, which is 9% of Hawaii's land mass, is home to over 72% of the state's population, the vast majority of whom live in Honolulu
- The remainder of the state is extremely sparsely populated. The offices covered in this petition cover an area of approximately 3,447 square miles and average only 40 loops per square mile
- Starting in the 1950s, developers created thousands of acres of subdivisions with inadequate infrastructure by today's standards – many lack paved roads, electricity, water, sewer, and telecommunications
- The economically challenged native Hawaiian population is concentrated in areas that would benefit from support

# Special Circumstances

- No Alternative Funding Sources
  - The study area is classified as non-rural, so rural high-cost support is unavailable
  - HT cannot obtain RUS loans because of preexisting debt covenants
  - Commercial financing is not economically feasible – service would be unaffordable in the absence of federal funding
  - State-level support is not available



# The Public Interest

- HT needs the requested support to modernize and harden its network, improve service reliability, and offer new services
  - Currently, long loops using load coils and coarse cable have limited broadband performance capabilities
  - Many HT's switches run older software loads not being developed for nor supporting new services
  - HT has digital loop carrier systems in place that do not support broadband deployment and have been discontinued by their manufacturer in many instances
  - HT lacks redundancy on key transport routes
  - Without a waiver, HT simply cannot bring affordable broadband or other advanced telecommunications capabilities to remote areas – the cost of facility upgrades is too high

# The Public Interest

- Broadband availability would increase substantially
  - Shorter loops, enhanced transport facilities, and modern switching capability not only will improve voice and other telecommunications services, but also will permit widespread broadband deployment at rates comparable to those offered in urban areas
- Benefits would flow especially to historically underserved populations, including native Hawaiian populations
  - Native Hawaiians and other economically challenged residents live disproportionately in the remote areas that would receive support
  - Molokai in particular houses a large number of people with native Hawaiian ancestry, even outside of the Hawaiian Homelands

# The Public Interest

- HT has committed to deploy broadband throughout the wire centers targeted by this petition, if the Commission grants this waiver
  - Over the five year period for which support is requested, HT will deploy broadband to meet specific targets shown in the confidential table in its petition
  - HT has worked with the Wireline Competition Bureau and staff of the Hawaii PUC to identify verifiable reporting requirements to ensure that HT meets this broadband build-out commitment

# The Public Interest


- Granting the Waiver would enhance public safety and security
  - Communications services are vital in times of natural disaster or attack -- more modern, robust facilities will improve service availability and ensure reliability
  - E-911 services depend on connections to Oahu to reach the ALISA database -- redundant inter-island connections would minimize the vulnerability of this service

# The Public Interest

- The impact on USF mechanisms would be negligible
  - The amount of support HT would receive is modest as a percentage of the overall fund, yet the benefits are substantial
  - No other recipient's funding would be affected
  - Granting the waiver would require minimal departure from current FCC rules – simply moving from the statewide level to the wire center level in computing support under the Commission's non-rural high-cost proxy model – no changes to the model are required

# The Public Interest

- Granting this waiver will allow the Commission to gain real-world experience as a prelude to further reform, including:
  - Targeting universal service support at the wire center level; and
  - Administering broadband deployment commitments in connection with such support



**Hawaiian Telcom**